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CSPC PHARMACEUTICAL GROUP LIMITED
石藥集團有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock code: 1093)

**CONTINUING CONNECTED TRANSACTIONS –
RENEWAL OF STEAM SUPPLY AGREEMENT**

The term of the 2014 Steam Supply Agreement had expired on 28 August 2017. On 29 August 2017, CSPC XNW entered into the New Steam Supply Agreement with Hebei Hongyuan in relation to the purchase of steam by CSPC XNW from Hebei Hongyuan for a term of three years commencing from 29 August 2017 and expiring on 28 August 2020.

As at the date of this announcement, Hebei Hongyuan is controlled as to 40% by CHL, which is a wholly-owned subsidiary of MTL, and MTL, indirectly through its wholly-owned subsidiary, holds approximately 17.48% of the total number of issued shares of the Company. Therefore, Hebei Hongyuan is an associate of a substantial shareholder of the Company, and a connected person of the Company under Chapter 14A of the Listing Rules. The entering into of the New Steam Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the proposed annual caps under the New Steam Supply Agreement are more than 0.1% but all of them are less than 5%, the New Steam Supply Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 29 August 2014 in relation to, among other things, the 2014 Steam Supply Agreement entered into between CSPC XNW and Hebei Hongyuan in respect of the purchase of steam by CSPC XNW from Hebei Hongyuan for a term of three years which commenced on 29 August 2014 and expired on 28 August 2017.

As it is anticipated that CSPC XNW will continue to purchase steam from Hebei Hongyuan in its ordinary course of business, on 29 August 2017, CSPC XNW entered into the New Steam Supply Agreement with Hebei Hongyuan in relation to the purchase of steam by CSPC XNW from Hebei Hongyuan for a term of three years commencing from 29 August 2017 and expiring on 28 August 2020.

NEW STEAM SUPPLY AGREEMENT

The principal terms of the New Steam Supply Agreement are summarized as follows:—

- Date** : 29 August 2017
- Parties** : (a) CSPC XNW; and
(b) Hebei Hongyuan
- Term** : 29 August 2017 to 28 August 2020
- Subject matter** : Purchase of steam by CSPC XNW from Hebei Hongyuan
- Pricing Basis and Payment Terms** : The terms shall be agreed by the parties on normal commercial terms and on terms no less favourable than those available to independent third parties from Hebei Hongyuan. The price shall be determined with reference to the price prescribed in the written notice or approval issued from time to time by Shijiazhuang Development and Reform Commission* (石家莊市發展和改革委員會) and Shijiazhuang Development and Reform Commission (Price Bureau)* (石家莊市發展和改革委員會(物價局)). The reference price of industrial steam set by the people's government of Luancheng Area, Shijiazhuang City (石家莊市欒城區人民政府) is RMB160 per ton (including the value-added tax) for the time being. In the event that the relevant notice or approval is amended or replaced by notices, approvals or other documents issued by the relevant government department, the price payable by CSPC XNW to Hebei Hongyuan for the provision of steam under the New Steam Supply Agreement shall be adjusted upwards or downwards from time to time.

The purchase price shall be payable monthly in arrears before 15th day of the next calendar month by CSPC XNW to Hebei Hongyuan unless otherwise agreed.

Historical Figures

The historical transaction amounts (excluding the value added tax) payable by CSPC XNW to Hebei Hongyuan for the purchase of steam under the 2014 Steam Supply Agreement for the period from 29 August 2014 to 31 December 2014, the two years ended 31 December 2015 and 2016 and the period from 1 January 2017 to 28 August 2017 are set out below:

For the period from 29 August 2014 to 31 December 2014 <i>(excluding the value added tax)</i>	For the year ended 31 December 2015 <i>(excluding the value added tax)</i>	For the year ended 31 December 2016 <i>(excluding the value added tax)</i>	For the period from 1 January 2017 to 28 August 2017 <i>(excluding the value added tax)</i>
RMB4,092,300	RMB9,372,600	RMB7,962,900	RMB7,881,500

Proposed Annual Caps

It is anticipated that the amounts (excluding the value added tax) payable by CSPC XNW to Hebei Hongyuan under the New Steam Supply Agreement for the period from 29 August 2017 to 31 December 2017, the two years ending 31 December 2018 and 2019 and the period from 1 January 2020 to 28 August 2020 will not exceed the following amounts respectively:—

For the period from 29 August 2017 to 31 December 2017 <i>(excluding the value added tax)</i>	For the year ending 31 December 2018 <i>(excluding the value added tax)</i>	For the year ending 31 December 2019 <i>(excluding the value added tax)</i>	For the period from 1 January 2020 to 28 August 2020 <i>(excluding the value added tax)</i>
RMB5,773,000 (approximately HK\$6,791,800)	RMB20,014,100 (approximately HK\$23,546,000)	RMB23,075,000 (approximately HK\$27,147,100)	RMB17,785,000 (approximately HK\$20,923,500)

The above annual caps are determined with reference to (i) the estimated quantity and unit price of steam required by CSPC XNW from Hebei Hongyuan, (ii) the historical transaction amounts, (iii) the estimated potential growth in future demand for steam and potential increase in production capacity, and (iv) inflation factor and price volatility of the reference price of the steam, respectively.

Reasons for and Benefits of Entering into the New Steam Supply Agreement

CSPC XNW is principally engaged in the manufacture and sale of, among others, bulk caffeine products in the Luancheng County where Hebei Hongyuan operates. The production base of CSPC XNW is located in close proximity to that of Hebei Hongyuan which allows Hebei Hongyuan to deliver the steam in a stable and transportation-efficient manner that fits the future operational need of CSPC XNW.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the transactions contemplated under the New Steam Supply Agreement are fair and reasonable, and the transactions contemplated under the New Steam Supply Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

As at the date of this announcement, Hebei Hongyuan is controlled as to 40% by CHL, which is a wholly-owned subsidiary of MTL, and MTL, indirectly through its wholly-owned subsidiary, holds approximately 17.48% of the total number of issued shares of the Company. Therefore, Hebei Hongyuan is an associate of a substantial shareholder of the Company, and a connected person of the Company under Chapter 14A of the Listing Rules. The entering into of the New Steam Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the proposed annual caps under the New Steam Supply Agreement are more than 0.1% but all of them are less than 5%, the New Steam Supply Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that each of Mr. Cai Dongchen, Mr. Pan Weidong, Mr. Wang Huaiyu, Mr. Lu Jianmin, Mr. Wang Jinxu, Mr. Wang Zhenguo and Mr. Lu Hua is indirectly interested in MTL, each of them was required to abstain from and has abstained from voting on the board resolution of the Company in respect of the New Steam Supply Agreement. Other than the aforementioned, none of the other Directors has a material interest in the transactions contemplated under the New Steam Supply Agreement.

GENERAL INFORMATION

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sale of pharmaceutical products.

CSPC XNW and its subsidiaries are principally engaged in the manufacture and sale of bulk caffeine products and vitamin C health supplement and beverage products.

Hebei Hongyuan is principally engaged in the provision of heat and steam supply in Pharmaceutical Industrial Zone, Luancheng Area, Shijiazhuang City, Hebei Province, the PRC* (河北省石家莊市藥城區醫藥工業區).

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the meanings set out below:—

“2014 Steam Supply Agreement”	the master steam supply agreement dated 29 August 2014 entered into between CSPC XNW and Hebei Hongyuan in relation to the purchase of steam by CSPC XNW from Hebei Hongyuan for a term which commenced from 29 August 2014 and expired on 28 August 2017
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CHL”	石藥控股集團有限公司 (CSPC Holdings Company Limited*), a company established in the PRC and wholly-owned by MTL
“Company”	CSPC Pharmaceutical Group Limited 石藥集團有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSPC XNW”	石藥集團新諾威製藥股份有限公司 (CSPC Innovation Pharmaceutical Co., Ltd.*), a company established under the laws of the PRC and an indirect non-wholly owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hebei Hongyuan”	河北宏源熱電有限責任公司 (Hebei Hongyuan Re Dian Limited Liability Company*), a limited liability company established in the PRC and a company controlled as to 40% by CHL
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“MTL”	Massive Top Limited, a limited liability company incorporated in Hong Kong and a substantial shareholder of the Company
“New Steam Supply Agreement”	the master steam supply agreement dated 29 August 2017 entered into between CSPC XNW and Hebei Hongyuan, setting out the general terms and conditions for the purchase of steam by CSPC XNW from Hebei Hongyuan for a term of three years commencing from 29 August 2017 and expiring on 28 August 2020
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

By Order of the Board
CSPC Pharmaceutical Group Limited
Cai Dongchen
Chairman

Hong Kong, 29 August 2017

As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. PAN Weidong, Mr. WANG Huaiyu, Mr. LU Jianmin, Mr. WANG Jinxu, Mr. WANG Zhenguo, Mr. LU Hua and Mr. CHAK Kin Man as executive directors; Mr. LEE Ka Sze, Carmelo as non-executive director; and Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo, Mr. LO Yuk Lam, Mr. YU Jinming and Mr. CHEN Chuan as independent non-executive directors.

In this announcement, RMB has been converted to HK\$ at the rate of RMB0.85 = HK\$1 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.